

British Steel Pension Scheme Information Debriefing following December 2018 Trustee Board Meeting:

Agenda Items

Integrated Risk Management (IRM) Framework Update

- The Trustee uses a quarterly IRM “dashboard” to provide ongoing monitoring of the key investment, funding and covenant risks facing the Scheme and to track progress against the Scheme’s journey plan and targets set by the Trustee. The aim of this ongoing assessment is to enable the Trustee to take appropriate action promptly if there are material changes in the risks or the Scheme’s funding position relative to expectations
- The quarterly dashboard was considered at the meeting, developments noted, and actions taken where required
- The Trustee board was updated on the recent meeting of representatives from the IRM Working Group and its advisers with the Pensions Regulator’s Case Team. Under the terms of the Framework Agreement, the Trustee was required to obtain the Regulator’s “non-object” to the Scheme’s IRM Framework. This has now been obtained
- The Regulator has acknowledged the positive steps taken by the Trustee to manage the Scheme’s risk exposure

Corporate Activity

- Although the BPS is intended to meet its liabilities on a self-sufficiency / low risk basis there is still a regulatory requirement on the Trustee to assess the strength of the Company covenant (i.e. the sponsor’s financial position, prospects and willingness to continue to support the Scheme) at the time of each actuarial valuation and to monitor developments in the covenant during the inter-valuation period
- The Trustee’s independent expert advisers, Penfida Ltd, presented their preliminary covenant assessment report on the financial position and performance of the Scheme’s sponsor

Investment Strategy

- The investment strategy for the Scheme is set out in the Statement of Investment Principles. It is expected to bring the Scheme to full funding on a “buy-out” basis in due course
- The Trustee needs to make decisions regarding the timescale for achieving this objective, the Trustee’s tolerance for investment risk and the principles for managing the Scheme’s assets if ahead or behind the journey plan
- The Trustee gave further consideration to options to manage the Scheme’s interest rate and inflation risks

Chief Investment Officer’s Report

- The Chief Investment Officer provided a detailed update on general investment matters
- The value of Scheme assets was £10.368 billion as at 7 December 2018
- The board noted recent amendments to the composition of the board of directors of the Scheme’s in-house investment manager, Pensions Services Limited
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved
- The board was updated on various amendments to the Authorities Manual for the investment office

Actuarial Update

- An update was given on the Scheme’s actuarial valuation as at 31 March 2018
- Good progress is being made and the results are expected to be communicated to Scheme members in the early part of 2019
- The Scheme actuary summarised the arrangements which will follow the conclusion of the 2018 Valuation and an outline of the timetable for the 2019 funding update process

Trusteeship

- Mr A J Johnston has accepted the Company's invitation to remain as a Company Nominated Trustee director once his term of appointment as Chairman expires on 31 March 2019
- The board approved its future operating model based upon 4 scheduled meetings per year. The Trustee decided that key operational matters should be dealt with by the full Trustee board rather than delegated to committees. Administrative matters could continue to be delegated where it was appropriate to do so
- The Pensions Regulator publishes its expectations for those responsible for managing a pension scheme effectively and expects trustees to run regular effectiveness reviews to evaluate how well they are performing. The Trustee approved a framework to allow it to review its effectiveness
- The board was updated on preparations for the nomination and selection of Member Nominated Directors
- Details of the nomination and selection processes will be set out in the Scheme's December newsletter and added to the Scheme website

GMP Update

- Formerly contracted-out pension schemes, such as the British Steel Pension Scheme, are undertaking exercises to reconcile pre-1997 contracted-out benefits (Guaranteed Minimum Pensions or **GMPs**) with records held by HMRC
- The new single-tier state pension does not take account of GMPs in the way that the old two-tier state pension did and so HMRC will no longer need to keep track of GMPs for people who reach State pension age after 6 April 2016. Formerly contracted-out schemes have a limited opportunity to reconcile their GMPs records with those held by HMRC. The board received a report on the major stages of this reconciliation exercise and any required rectification
- Following a recent High Court Judgement¹, all defined benefit schemes which contracted-out between 17 May 1990 and 5 April 1997 now need to consider the need to equalise for the effect of GMP inequality issues. Further information is contained in the December newsletter

GDPR update

- From 25 May 2018, all pension schemes within the EU are subject to the new General Data Protection Regulations (**GDPR**), which replaces the Data Protection Act 1998.
- The Trustee takes data protection very seriously and is implementing an independent plan of action and activities to ensure it is compliant. The board was updated on progress towards completion of the plan. Further information is contained in the December newsletter
- A review of the Scheme's GDPR compliance will be carried out in 2019

2019/20 Operating budgets

- The Trustee considered arrangements in the Glasgow and London offices for determining operating budgets for 2019/20

Dispute Cases

- The Trustee board was updated on disputes raised by members after 29 March 2018
- The Trustee board was briefed on recent developments relating to disputes raised by members in connection with the calculation of cash equivalent transfer values by the old BPS
- Four dispute cases put forward by members were considered and determinations made by Trustee directors
- The Trustee board noted 15 cases where a decision had been made by Scheme Officers in exercise of their delegated authority to determine complaints to the Trustee under Stage 1 of the IDRP

Technical Update

- The Trustee noted recent developments in pensions law and regulation which could impact on the Scheme

¹ Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others (Lloyds)

Administration Report

- As at 31 October 2018, Scheme membership was 77,565 comprising 16,133 deferred pensioners and 61,432 members whose benefits were currently in payment
- The board was briefed on updated Business Continuity arrangements for the Glasgow and London offices
- The Trustee approved an out of cycle PPF Valuation if this would, as expected, have a positive impact on the levy payable by the Scheme
- 9 complaints were received under the Scheme's service standard complaints procedure and appropriate responses issued by Scheme Officers

Dates and Locations of Scheduled Meetings

- The Trustee board noted the date for the remaining 2018/19 scheduled meeting as 20 February 2019
- Provisional arrangements had been made for meetings in 2019/20. Those meetings would now be superseded by meetings in May, August and November 2019 and February 2020
- Feedback from delegates attending the 2018 Consultative Meeting was generally very positive, with almost all delegates who provided a response rating all aspects of the meeting "Good" or better. In recognition of the positive feedback arrangements were being made to book the 2019 Consultative meeting at Ashorne Hill College

Information Debriefings provide a brief summary of matters discussed at Trustee board meetings. They are made available so that members and others with an interest in the Scheme may know about the role of the Trustee and the work it does to ensure that the Scheme is administered properly.

Information Debriefings are not an official record of the Trustee's decisions and no reliance should be placed upon them.